



1999 AUDITS

A Report to the California Legislature on Claims Handling Practices of Workers' Compensation Administrators

**Department of Industrial Relations
Division of Workers' Compensation
Audit Unit**

April 1, 2000

**California Department of Industrial Relations
Division of Workers' Compensation**

**1999 Audits of Workers' Compensation Insurers, Self-Insured Employers,
and Third-Party Administrators**

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1999 Audit Results

This tenth annual workers' compensation audit report summarizes the accomplishments of the Audit Unit of the Division of Workers' Compensation during calendar year 1999.

Scope

The Audit Unit of the Division of Workers' Compensation completed a total of 30 audits in 1999. Of these, 24 were randomly selected and the remaining 6 were non-random, or "targeted" audits. Non-random audits were selected either based upon results from prior audits or following investigations resulting from complaints received by the Division of Workers' Compensation. The total number of audit subjects included 12 insurance companies, 5 self-administered, self-insured employers, and 13 third-party administrators (TPAs).

In addition to these 30 audits, the Audit Unit conducted 10 investigations, in which 31 claim files were reviewed based on complaints received by the Division of Workers' Compensation alleging claims administrators' failure to comply with workers' compensation obligations. The investigations were conducted pursuant to Title 8, California Code of Regulations, Section 10106(d). Claim files were reviewed based on ratios of points assigned to alleged violations in complaints received by the Division of Workers' Compensation, compared to the numbers of claims reported at the adjusting locations. Six non-random audits have been scheduled for 2000 as a result of these investigations.

At all audits, claim files were selected for audit on a random basis, with the number of medical-only, indemnity and denied cases being selected based on the numbers of claims in each of those populations for the audit subject. In addition, if any complaints were received regarding possible violations of the Labor Code or regulations of the Administrative Director, each claim file related to the complaint was audited. The number of files audited at an adjusting location typically ranges from 100 to approximately 300 files for some audits, based upon the total number of claim files at the adjusting location and the number of complaints received by the Division of Workers' Compensation related to claims handling practices.

In 1999, compliance officers audited 5,743 claim files, of which 2,337 were claims in which indemnity benefits were paid or were expected to be paid, 1,815 were medical-only claims, 1,294 were claims in which the employer or insurer denied all liability, 226 were selected based on complaints received by the Division of Workers' Compensation, and 71 that were designated as "additional" files. "Additional" files include companion files to files selected for audit as part of a random sample or because of a complaint, in which it was necessary to audit the companion files to determine if all benefits were provided in the file selected. "Additional" files also include files audited in excess of the number of files in the random sample which were audited because the files selected were incorrectly designated on the log.

Findings

As a result of audits conducted during the calendar year 1999, the Audit Unit issued 10,232 administrative penalty assessments to administrators totaling \$1,532,540. There were 495 claims in which injured workers were owed unpaid compensation totaling \$499,291.43, an average of \$1,008.67 per file in which there was unpaid compensation. The unpaid compensation is broken down as follows: \$162,096.11 in temporary disability indemnity and salary continuation in lieu of temporary disability (32.5% of the unpaid compensation), \$212,574.20 in permanent disability indemnity (42.6% of the unpaid compensation), \$46,754.93 in vocational rehabilitation maintenance allowance (9.4% of the unpaid compensation), \$70,895.85 in 10% self-imposed increases for late indemnity payments (14.2% of the unpaid compensation), and \$6,970.34 in interest and penalty and/or unreimbursed medical expenses (1.4% of the unpaid compensation).

The average number of penalty citations per audit subject was 341, the average amount per penalty assessment was \$150, and the average total in penalty assessments per audit was \$51,085. Most assessments were found in the indemnity, complaint, and denied claims, and although very few penalty assessments were found in medical-only claims, the time involved in reviewing them was minimal.

There were new record amounts for one audit in both penalties assessed and in unpaid compensation found in 1999. The audit was a non-random audit of Superior Pacific Insurance Company's Woodland Hills office, which resulted from complaint investigations conducted in 1998 of the Pacific Rim/Woodland Hills office and the Superior National/Calabasas office. Claims from those offices were combined at the Superior Pacific/Woodland Hills office following Superior's purchase of Pacific Rim. The audit subject was assessed 1,420 penalties totaling \$244,795 and the audit disclosed \$110,105.63 in unpaid compensation in 53 claims. Among the penalties assessed were two penalties for unsupported denials of liability for claims, five penalties for failure to investigate, 11 penalties for incomplete payments and/or failure to pay WCAB awards, and 40 penalties for late payments of awards.¹

The Audit Unit has provided the Department of Insurance with copies of the audit findings and will coordinate any follow-up audits with the Department of Insurance following the Insurance Commissioner's recent seizure of Superior National Insurance Group.

Another audit in 1999 notable for poor results was the audit of Integrated HealthCARE Delivery Services (IHDS), the third-party administrator subsidiary of K-Mart dedicated to administering K-Mart's self-insured claims. The audit subject was targeted for audit following a 1998 complaint investigation, and was assessed 1,625 penalties totaling \$209,025. Unpaid compensation totaled \$59,789.57 in 47 claims. Among the penalties assessed were four penalties for failure to investigate, four penalties for incomplete payments and/or failure to pay WCAB awards, and 18 penalties for late payments of awards. Significantly, 785 penalties totaling \$64,110 were assessed against IHDS for violations involving the failure to pay or object to medical expenses within 60 days of receipt of the billing and/or failure to pay interest and the self-imposed 10% penalty for the late payment of the medical bills.

¹ The previous high in penalties was from the 1998 audit of claims of Ralph's Grocery Company, a self-administered, self-insured company operating out of Los Angeles, in which \$217,530 in penalties were assessed, and in which \$106,016.79 in unpaid compensation was found.

Performance Standards Affecting Audit Sample Size and Future Audit Selection

In November 1998, regulations were adopted to establish sampling methodology consisting of a two-tiered approach for the random selection of indemnity files. Regulations now contain performance standards in key areas that establish a process whereby fewer files are reviewed at adjusting locations that are performing well in these areas, and greater numbers of files are reviewed at locations that are not performing well in these areas. The regulation changes also include final audit result criteria whereby the audit subject will be removed from the random audit selection pool for three years if the performance standards are met, or the audit subject will be scheduled for a return, non-random audit within one to three years if certain of the standards are not met. The following standards were established:

- **Abbreviated Sample versus Full Sample of Indemnity Files and Removal from Random Selection Pool**

If, after the completion of an abbreviated sample of indemnity claims, *any* of the following criteria is met, the full sample of indemnity files besides the sample of denied and medical-only files will be audited. However, if performance exceeds *all the* standards, the audit will be cut short after review of the abbreviated sample of indemnity files and the sample of denied and medical-only files. Following completion of the audit (including the sample of denied and medical-only files, whether after review of an abbreviated or a full sample of indemnity files), if performance exceeds the standards in all of these key areas, the audit subject will be removed from the random selection pool for three years. The criteria in the key areas are as follows:

1. The number of randomly selected audited files with violations involving the failure to pay indemnity exceeds 20% of the audited files in which indemnity is accrued and payable and the average amount of unpaid indemnity exceeds \$200.00 per file in which indemnity is accrued and payable.²
2. The number of randomly selected files with violations involving the late payments of indemnity exceeds 30% of the audited files in which those indemnity payments have been made.
3. The number of audited files with violations involving the failure to issue routine benefit notices exceeds 30% of the files in which there is a requirement to issue those notices.

² Note that if exactly 20% of files with indemnity accrued and payable have some amount unpaid, it would take an average of \$1,000 in unpaid compensation per file with unpaid compensation to reach an average of \$200 in unpaid compensation per file in which indemnity is accrued and payable. As the percentage of files with unpaid compensation increases, the average amount per file with unpaid compensation needed to reach the \$200 average decreases.

For instance, if there are 100 files in an audit in which indemnity is accrued and payable, and 20 files each have \$1,000 in unpaid compensation, the \$20,000 in unpaid compensation averages \$200 (of the 100 files) per file in which indemnity is accrued and payable. If there are 25 files (25% of the 100) totaling \$20,000 in unpaid compensation, an average of \$800 in unpaid compensation (instead of \$1,000) will produce an average of \$200 in unpaid compensation per file in which indemnity is accrued and payable.

- **Performance Standards Requiring a Return, Non-Random Audit**

If, following the completion of the audit, the audit subject fails to meet the unpaid indemnity standards (No. 1 above) or fails to meet *both* the late-paid indemnity and failure to issue benefit notice standards (Nos. 2 and 3), the Audit Unit will return for a non-random audit based on poor audit results within one to three years. High frequency of late paid indemnity or failure to issue benefit notices *alone* does not require a return, non-random audit.

In addition, the Audit Unit shall return for a repeat non-random audit of denied files within one to three years of the results of an audit becoming final if there is more than one unsupported denial *and* the number of unsupported denials exceeds 5% of the audited denied claims.

- **1999 Performance Results**

In 1999, the performance of 13 of the 30 audits conducted (43.3%) merited abbreviated indemnity file samples for their audits, as opposed to full indemnity samples, and merited removal from the random selection pool of adjusting locations for the next three years based on final audit results. Those audits are identified in **Exhibit 1D**.

In addition, six of the 30 audits (20%), while not performing well enough to enable the Audit Unit to review only an abbreviated sample of indemnity files or to be removed from the random selection pool following the audit, did perform well enough to avoid a return, non-random audit based on final audit results. Those audits are identified in **Exhibit 1E**.

On the basis of final audit results, the performance of 11 of the 30 audits conducted (36.7%) warranted return, non-random audits within one to three years. Those audits are identified in **Exhibit 1F**.

Title 8, California Code of Regulations, Section 10111.1(e)(5), adopted in 1994, states, "No administrative penalties shall be assessed if the only violations found in an audit are violations which do not involve the denial of a claim without supporting documentation, or failure to pay or late payment of compensation, and the violations are found in 20% or less of the indemnity files audited." No audits met these standards in 1999.

Civil Penalty Under Labor Code Section 129.5(d)

California Labor Code Section 129.5(d) states, in part:

"In addition to the penalty assessments permitted by subdivision (a), the administrative director may assess a civil penalty, not to exceed one hundred thousand dollars (\$100,000), upon finding, after hearing, that an employer, insurer, or third-party administrator for an employer has knowingly committed and has performed with a frequency as to indicate a general business practice any of the following:

- (1) Induced employees to accept less than compensation due, or made it necessary for employees to resort to proceedings against the employer to secure compensation due.

- (2) Refused to comply with known and legally indisputable compensation obligations.
- (3) Discharged or administered compensation obligations in a dishonest manner.
- (4) Discharged or administered compensation obligations in a manner as to cause injury the public or those dealing with the employer or insurer....”

In late 1999, the Audit Unit established a Civil Penalty Investigation Section within the Audit Unit with the hiring of an additional six Workers' Compensation Compliance Officers (auditors) and one investigator. The Audit Unit intends to investigate thoroughly all credible complaints and information received which indicates the existence of claims practices for which the assessment of a civil penalty under Labor Code Section 129.5(d) may be warranted.³

Unpaid Compensation Due To Employees

Of the 2,634 indemnity, complaint, and additional files audited (all audited files except for denials and medical-only claims), the Audit Unit found 495 files (18.8% - up from 16.3% in 1998) in which the employee was due compensation, interest and/or penalties totaling \$499,291.43. The average amount of unpaid compensation per file in which there was unpaid compensation was \$1,008.67, up from \$843.47 in 1998. The administrator is required to pay these employees within 15 days after receipt of a notice advising the administrator of the amount due, unless a written request for a conference is filed within 7 days of receipt of the audit report. In a small number of these cases, the administrator was able to show, by providing additional documentation, that the amount of compensation due was different from the amount cited.

When employees due unpaid compensation cannot be located, the unpaid compensation is payable by the administrator to the *Workplace Health and Safety Revolving Fund*. In these instances, application by an employee can be made to the Division of Workers' Compensation for payment of moneys deposited by administrators into this fund. In 1999, \$3,401.84 was paid into this fund because the injured workers could not be located.

Informal Post-Audit Conferences

Informal post-audit conferences are offered to all administrators after audits are completed. Conferences help to clarify issues, resolve misunderstandings and assist in reducing the frequency and volume of conference appeals. The post-audit conference is the last opportunity for the administrator to respond to audit findings on an informal basis before issuance of the written audit report, *Notices of Penalty Assessments* and *Notices of Compensation Due*.

The conference may include:

- A discussion of the factual and legal bases for the proposed penalty assessments and/or notices of unpaid compensation. The claims administrator is given the opportunity to

³ The Division of Workers' Compensation and Fremont Compensation Insurance Company have resolved their differences regarding all pending audit and civil penalty investigations of Fremont's San Francisco, Glendale, and Fresno adjusting locations. The DWC and Fremont Compensation Insurance Group have also resolved Fremont's pending lawsuits against the DWC in San Francisco Superior Court and the California Court of Appeal, First Appellate District. These resolutions involved no admission of wrongdoing and/or liability on the part of Fremont.

dispute proposed penalties informally and provide reasons for additional mitigation for the penalties proposed.

- A discussion of general findings of areas where there are deficiencies. The Audit report includes frequency tables so that frequency of violations can be addressed. These tables (**Individual Exhibit 5** for each audit) in effect act as report cards, showing in key areas of consideration the number of files in which exposure for certain penalty assessments exists, the number of files in which penalties are proposed, and the resultant percentage of those files in which penalties are proposed.
- A discussion of claims where the claims administrator will be requested to take action and/or provide further information or documentation so that penalties may be properly assessed. Issuance of the final report following the post-audit conference may be postponed until the audit subject has had the chance to obtain additional documentation to clarify any disputed issues.
- A discussion of additional documentation to be obtained to comply with statutory and/or regulatory requirements. Necessary items for documentation of compliance are listed in addenda to the audit reports. These suspense items include requests for such documentation as earnings for the dates of the injury, wage statements needed to determine appropriate disability rates, and proof of provision of claim forms.

Final Audit Report

Following the post-audit conference, the Audit Unit issues the final report of audit findings along with the Notice of Penalty Assessments and Notices of Compensation Due. If any penalties are still in dispute, the audit subject then has 7 days from receipt of the final audit report to request an appeal, either by appeal conference or written decision only from the Administrative Director, and an additional 21 days from the date of request for appeal to submit arguments and supporting documentation. Any unappealed penalties must be paid within 15 days of receipt of the Notice of Penalty Assessments.

Appeals

In 1999, one audit was appealed. In addition, the two audits appealed in 1998 remain unresolved. However, the one appeal made before 1998 was resolved in 1999. The status of each of these appeals is as follows:

- CNA Commercial Insurance - Glendale, Audit No. VNO-10-99-R-1: The audit subject appealed all 824 penalties totaling \$115,445. The appeal is pending.
- City of Anaheim – Anaheim, Audit No. AHM-08-98-R-6: The audit subject appealed 2 penalties totaling \$980 for the failure to issue Notices of Potential Eligibility for vocational rehabilitation within 10 days of knowledge of a physician's opinion that the injured worker was medically eligible for vocational rehabilitation; the appeal is pending.

- The May Company - Redondo Beach, Audit No. AHM-02-98-R-2: The audit subject appealed 3 penalties totaling \$4,560 - two for unsupported denials of liability for claims and one for the late issuance of a delay notice; the appeal is pending.

- Browning Ferris Industries - Fremont, Audit No. WCK-3-97-R-2: In 1997, the audit subject appealed 10 penalties totaling \$370 for late first TD payments and one penalty of \$80 for failure to issue a delay notice, claiming that a claims administrator has no duty to issue a delay notice or first TD payment for lost time which would involve a period of temporary disability while awaiting receipt of a medical report authorizing the temporary disability. Following the appeal hearing in 1998, the Administrative Director affirmed the penalties. The audit subject subsequently filed a Writ of Mandate with the Superior Court in San Francisco pursuant to Labor Code Section 129.5(e). The Writ was dismissed in 1999.

Penalties Collected for Prior Years

\$549,740 were collected in 1999 for penalties assessed in 1998. The only penalties outstanding for years before 1998 were the \$450 in penalties assessed in 1997 against Browning Ferris Industries of Fremont. The audit subject appealed those penalties to the Administrative Director and subsequently filed a Writ of Mandate with the Superior Court in San Francisco after the Administrative Director affirmed the penalties. The Writ of Mandate was dismissed in late 1999 but Browning Ferris has not yet remitted the penalties.

Types of Penalties Cited

The following are the eight most common types of violations and the number of times they have been cited in 1999 audits:

1. Failure to Timely Provide Proper and Accurate Benefit Notice

In 1999, the Audit Unit assessed 3,561 penalty citations totaling \$382,655 (34.8% of the total of 10,232 penalties assessed, and 25.0% of the total dollar amount of \$1,532,540) which involved the provision of benefit notices, excluding the vocational rehabilitation notices listed in No. 4 below. The dollar amount of these assessments ranged from \$25 to \$100 each, except for notices of the procedure to evaluate permanent disability and denial notices for injuries occurring on or after 1/1/94, for which the penalties are assessed at up to \$500. These violations are broken down as follows:

- **Materially Inaccurate or Incomplete Benefit Notices**

687 penalty citations totaling \$21,505 (6.7% of the total penalties and 1.4% of the total dollar amount) were issued for materially inaccurate or incomplete benefit notices. The penalties were assessed at \$25 before mitigation for good faith, frequency, and history.

- **Late Provision of Benefit Notices**

981 penalty citations totaling \$57,570 (9.6% of the total penalties and 3.8% of the total dollar amount) were issued for late provision of benefit notices. The penalty assessments ranged from \$50 to \$100 before mitigation for good faith, frequency, and history.

- **Failure to Issue Benefit Notices**

1,501 penalty citations totaling \$143,060 (14.7% of the total penalties and 9.3% of the total dollar amount) were issued for the failure to issue benefit notices. The penalty assessments ranged from \$50 to \$100 before mitigation for good faith, frequency, and history.

- **Failure to Timely Issue Notices for the Procedure to Evaluate Permanent Disability**

368 penalty citations totaling \$153,340 (3.6% of the total penalties and 10.0% of the total dollar amount) were issued for late issuance and the failure to issue notices advising of the procedure to evaluate permanent disability. The penalties ranged from \$100 to \$500 before mitigation for good faith, frequency, and history.

- **Violations Involving Denial Notices**

24 penalty citations totaling \$7,180 (0.2% of the total penalties and 0.5% of the total dollar amount) were issued for late issuance, the failure to issue, and the issuance of materially misleading or inaccurate denial notices. The penalties ranged from \$100 to \$500 before mitigation for good faith, frequency, and history.

2. Failure to Pay or Object to Medical or Medical-Legal Bills within 60 Days of Receipt

2,535 penalty citations totaling \$195,950 (24.8% of the total penalties and 12.8% of the total dollar amount) were issued involving the failure to pay or object to medical or medical-legal bills within 60 days from the receipt of the bill and failure to pay interest and self-imposed increases for late paid bills. Penalty assessments ranged from \$25 to \$100 each before mitigation for good faith, frequency, and history. The penalties are broken down as follows:

- **Failure to Pay or Object to Medical Expenses within 60 Days of Receipt**

2,194 penalty citations totaling \$167,440 (21.4% of the total penalties and 10.9% of the total dollar amount) were issued for the failure to pay or object to medical expenses within 60 days from the receipt of the bill and/or failure to pay interest and self-imposed increases for late paid bills. Penalty assessments ranged from \$25 to \$100 each depending on the amounts of the bills, before mitigation for good faith, frequency, and history, and from \$25 to \$50 for the failure to pay interest or penalties on late paid medical bills.

- **Failure to Pay or Object to Medical-Legal Bills within 60 Days of Receipt**

341 penalty citations totaling \$28,510 (3.3% of the total penalties and 1.9% of the total dollar amount) were issued for the failure to pay or object to medical-legal bills within 60 days from the receipt of the bill. Penalty assessments ranged from \$50 to \$100 each before mitigation for good faith, frequency, and history, depending on whether the bill remained unpaid at the time of the audit and whether or not interest and penalty were paid.

3. Late Indemnity Payments

1,825 penalty citations totaling \$238,165 (17.8% of the total penalties and 15.5% of the total dollar amount) were assessed for late indemnity payments. The penalties were assessed at up to \$100 before mitigation for good faith, frequency, and history unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity. These violations are broken down as follows:

- **Late Subsequent Indemnity Payments**

1,051 penalty citations totaling \$114,700 (10.3% of the total penalties and 7.5% of the total dollar amount) were assessed for late subsequent indemnity payments, including any late death benefit payments, the failure to pay all indemnity due with a payment when paid with a later payment, late payments of self-imposed increases for any late indemnity payments, and late payments of WCAB Awards or Orders. The penalties ranged from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the degree of lateness, unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late First Payments of Temporary Disability Indemnity**

561 penalty citations totaling \$63,770 (5.5% of the total penalties and 4.2% of the total dollar amount) were assessed for late first payments of temporary disability indemnity. The penalties ranged from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the degree of lateness, unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late First Payments of Permanent Disability Indemnity**

172 penalty citations totaling \$48,920 (1.7% of the total penalties and 3.2% of the total dollar amount) were assessed for late first payments of permanent disability indemnity. The penalties ranged from \$25 to \$100 before mitigation for good faith, frequency, and history depending on the degree of lateness, unless the payments were more than 30 days late, in which case the penalties were assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late First Payments of Vocational Rehabilitation Maintenance Allowance**

41 penalty citations totaling \$10,775 (0.4% of the total penalties and 0.7% of the total dollar amount) were assessed for late first payments of vocational rehabilitation maintenance allowance. The penalties range from \$25 to \$100 before mitigation for good faith, frequency, and history depending on the degree of lateness, unless the payments were more than 30 days late, in which case penalties are assessed at up to \$1,000 depending on the amount of late paid indemnity.

- **Late Death Benefit Payments**

No penalty citations were assessed for late death benefit payments. Penalties in this category range from \$25 to \$100 before mitigation for good faith, frequency, and history depending on the degree of lateness, unless the payments were more than 30 days late, in which case penalties are assessed at up to \$1,000 depending on the amount of late paid benefits.

4. Failure to Pay Accrued and Payable Indemnity in Undisputed Claims

872 penalty citations totaling \$203,095 (8.5% of the total penalties and 13.3% of the total dollar amount) were assessed for violations involving the failure to pay accrued and payable indemnity in undisputed claims. The penalty assessments ranged from \$25 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount, unless the failure to pay involved the complete failure to pay a WCAB Award or Order, in which case penalties are assessed at \$5,000. These violations are broken down as follows:

- **Failure to Pay Self-Imposed Increases for Late Paid Indemnity**

433 penalty citations totaling \$35,755 (4.2% of the total penalties and 2.3% of the total dollar amount) were issued for the failure to pay self-imposed increases payable because of the late payment of temporary or permanent disability indemnity. The penalty assessments ranged from \$25 to \$100 before mitigation for good faith, frequency, and history, depending on the amount of the late paid indemnity for which the self-imposed increases were due.

- **Failure to Pay Temporary Disability Indemnity or Salary Continuation in Lieu of Temporary Disability Indemnity**

274 penalty citations totaling \$83,580 (2.7% of the total penalties and 5.5% of the total dollar amount) were issued for the failure to pay temporary disability indemnity or salary continuation in lieu of temporary disability indemnity which was not awarded or ordered paid by the WCAB. The penalty assessments ranged from \$100 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay Permanent Disability Indemnity**

69 penalty citations totaling \$39,790 (0.7% of the total penalties and 2.6% of the total dollar amount) were issued for the failure to pay permanent disability indemnity which was not awarded or ordered paid by the WCAB. The penalty assessments ranged from \$200 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay Vocational Rehabilitation Maintenance Allowance**

30 penalty citations totaling \$16,610 (0.3% of the total penalties and 1.1% of the total dollar amount) were issued for the failure to pay vocational rehabilitation maintenance allowance which was not awarded or ordered paid by the WCAB or Rehabilitation Unit. The penalty assessments

ranged from \$100 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay All or Part of a WCAB Award or Order or Rehabilitation Unit Order**

31 penalty citations totaling \$18,480 (0.3% of the total penalties and 1.2% of the total dollar amount) were issued for the failure to pay all or part of any indemnity awarded by the WCAB or Rehabilitation Unit. The penalty assessments ranged from \$100 to \$5,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

- **Failure to Pay any Interest or Penalty on an Award**

35 penalty citations totaling \$8,880 (0.3% of the total penalties and 0.6% of the total dollar amount) were issued for the failure to pay any Interest or Penalty on an Award. The penalty assessments ranged from \$100 to \$1,000 before mitigation for good faith, frequency, and history, depending on the unpaid amount.

5. Failure to Timely Comply with Vocational Rehabilitation Notice Requirements

598 penalty citations totaling \$238,720 (5.8% of the total penalties and 15.6% of the total dollar amount) were issued for the failure to timely comply with specified vocational rehabilitation notice requirements. Penalty assessments ranged from \$100 to \$500 each before mitigation for good faith, frequency, and history. The penalties are broken down as follows:

- **Failure to Timely Comply with Vocational Rehabilitation Requirements following 90 Days of Aggregate Temporary Disability**

307 penalty citations totaling \$127,560 (3.0% of the total penalties and 8.3% of the total dollar amount) were issued for the failure to timely assign a Qualified Rehabilitation Representative within 10 Days after 90 days of aggregate total disability for injuries occurring before 1/1/94, and for failure to issue a notice regarding vocational rehabilitation rights within 10 days after 90 days of aggregate total disability for injuries occurring on or after 1/1/94. Penalty assessments ranged from \$100 to \$500 each before mitigation for good faith, frequency, and history.

- **Failure to Timely Issue a Notice of Potential Eligibility for Vocational Rehabilitation**

239 penalty citations totaling \$92,340 (2.3% of the total penalties and 6.0% of the total dollar amount) were issued for the failure to timely issue a *Notice of Potential Eligibility* for Vocational Rehabilitation within 10 days of knowledge of a physician's opinion of an employee's medical eligibility. Penalty assessments ranged from \$100 to \$500 each before mitigation for good faith, frequency, and history.

- **Failure to Timely Issue a Notice Denying Vocational Rehabilitation as Required**

52 penalty citations totaling \$18,820 (0.5% of the total penalties and 1.2% of the total dollar amount) were issued for the failure to timely issue a denial notice for vocational rehabilitation services along with notice of the procedures for disputing the denial when required, or for termination of vocational rehabilitation services other than as described by Labor Code §4644.

6. Late Payment of WCAB Awards or Orders or Orders of the Rehabilitation Unit

119 penalty citations totaling \$152,710 (1.1% of the total penalties and 10.0% of the total dollar amount) were issued for late payments of WCAB Orders or Awards or Orders of the Rehabilitation Unit. The penalty assessments ranged up to \$5,000 before mitigation for good faith, frequency, and history, depending on how late the payment.

7. Unsupported Denial of Liability for Claims and Failure to Investigate

37 penalty citations totaling \$41,450 (0.4% of the total penalties and 2.7% of the total dollar amount) were issued for unsupported denials of liability for claims and the failure to investigate to determine whether benefits were payable. Penalty assessments ranged up to \$1,000 before mitigation for good faith, frequency, and history for the failure to investigate, and up to \$5,000 before mitigation for good faith, frequency, and history for unsupported denials. The penalties are broken down as follows:

- **Unsupported Denial of Liability for Claims**

9 penalty citations totaling \$26,500 (0.1% of the total penalties and 1.7% of the total dollar amount) were issued for unsupported denials of liability for claims. Penalty assessments ranged up to \$5,000 before mitigation for good faith, frequency, and history.

- **Failure to Investigate**

28 penalty citations totaling \$14,950 (0.3% of the total penalties and 1.0% of the total dollar amount) were issued for the failure to investigate to determine whether benefits were payable in a claim. If the failure to investigate led to the denial of all liability for the claim, the penalty was assessed for the unsupported denial rather than the failure to investigate. Penalty assessments ranged up to \$1,000 before mitigation for good faith, frequency, and history.

8. Other Violations

685 penalty citations totaling \$79,795 (6.7% of the total penalties and 5.2% of the total dollar amount) were issued for other violations, including the failure to document an employee's average weekly earnings when temporary disability is paid at less than the maximum rate, the failure to document that a claim form was provided to an injured worker, the failure to maintain various forms of documentation in a claim file such as copies of medical reports or WCAB orders or

awards, the failure to pay or object to a vocational rehabilitation expense within 60 days of receipt of the bill, the filing of an inaccurate Annual Report of Inventory, and claim log violations. Penalty assessments generally range up to \$100 before mitigation for good faith, frequency, and history. Claim log violations and violations involving the filing of an inaccurate Annual Report of Inventory (assessed as part of an audit) range up to \$500.

Penalties for the Failure to File the Annual Report of Inventory

In addition to the 10,232 administrative penalty assessments totaling \$1,532,540 that were assessed as a result of audits, an additional 25 penalties totaling \$12,500 were assessed not as the result of individual audits, but for the failure of claims administrators to timely file an Annual Report of Inventory of Claims with the Audit Unit, as required by Title 8, California Code of Regulations, Section 10104. These penalties are not otherwise included as part of the audit data within this report, but were assessed as follows:

Claims Administrator/ Location		Amount Assessed	Amount Collected	Unpaid Balance
Balboa Insurance Co.	Irvine	\$500	\$500	\$0
City of Los Angeles/DWP	Los Angeles	\$500	\$500	\$0
Claims Management	Sacramento	\$500	\$500	\$0
COMCO Management	Pasadena	\$500	\$0	\$500
Crawford & Company	Colton	\$500	\$500	\$0
Cunningham Lindsey	San Diego	\$500	\$0	\$500
Farmers Insurance Group	Van Nuys	\$500	\$500	\$0
Golden Eagle Insurance	San Diego	\$500	\$500	\$0
Hunt Wesson, Inc.	Fullerton	\$500	\$500	\$0
Indiana Lumbermens Mutual	Indianapolis, IN	\$500	\$500	\$0
National Staff Network	Sherman Oaks	\$500	\$0	\$500
Ralphs Grocery Company	Los Angeles	\$500	\$500	\$0
Republic Western Insurance	Glendora	\$500	\$500	\$0
RSKCo Claims Services	La Puente	\$500	\$500	\$0
Sandia National Laboratories	Livermore	\$500	\$500	\$0
Santa Ana Unified SD	Santa Ana	\$500	\$0	\$500
Seven UP / RC Bottling	Vernon	\$500	\$500	\$0
St. Paul Fire & Marine #1185	Brea	\$500	\$500	\$0
St. Paul Fire & Marine #5399	Brea	\$500	\$500	\$0
Superior National/Cal Comp	Ventura	\$500	\$500	\$0
The Stockman Group	Whittier	\$500	\$500	\$0
Tokio Marine Management	Pasadena	\$500	\$500	\$0
U.S. Fidelity & Guaranty	Brandon, FL	\$500	\$0	\$500
ULICO Insurance Group	Chino	\$500	\$500	\$0
Vanliner Insurance Co.	St. Louis, MO	\$500	\$500	\$0
TOTALS		\$12,500	\$10,000	\$2,500

EXHIBITS

Exhibit 1A is a summary of the number of files audited by type, the numbers and amounts of penalties, amounts collected, balance due, and the number of appeals for Northern California and Southern California. **Exhibit 1B** lists the same data for each audit subject audited in or by Northern California staff. **Exhibit 1C** lists the same data for each audit subject audited in or by Southern California staff. **Exhibit 1D** lists the audit subjects whose performance merits removal from the random selection pool for the next three years. **Exhibit 1E** lists those audit subjects that did not perform well enough for removal from the random selection pool, but which did not warrant return, non-random audits based on 1999 audit results. **Exhibit 5F** lists those audit subjects whose poor performance warrant return, non-random audits within the next one to three years.

Exhibit 2A and 2B are summaries of the audit results for each audit by type of claims administrator and by method of selection for audit. There are separate listings for randomly selected and non-randomly selected audit subjects, and breakdowns showing the same data for insurers, self-insured employers, and third-party administrators as separate groupings.

Exhibit 3 separates the Schedule of Administrative Penalties in Title 8, California Code of Regulations, Sections 10111 and 10111.1 into various categories. There is a **Key to Exhibit 3** describing the nature of each category and listing the ranges of penalty assessment amounts, and an **Exhibit 3** showing statewide totals and amounts of penalties assessed in 1999 by category.

Exhibit 4 summarizes by type of indemnity the amounts of unpaid compensation found in the 495 audited claims for which Notices of Compensation Due were issued.

Perhaps the clearest way to measure the overall performance of California workers' compensation claims administrators is by the percentages of audited claim files with violations when compared to the claim files with the exposure for violations in key areas. **Exhibits 5A through 5L** show, in each of 21 key areas of consideration, the number of files in which the exposure for assessment exists, the number of files in which penalties were assessed, and the percentage of those files with exposure in which penalties were assessed. These 21 categories are as measured by the frequency mitigation standards in Title 8, California Code of Regulations, Sections 10111.1(d)(1) and (e)(3). The exhibits list the numbers and percentages for randomly selected files only, excluding penalties and exposure for penalties from any files audited as a result of complaints received by the Audit Unit or any files selected by any other method than randomly. They are broken down as follows:

- **Exhibit 5A** Statewide Frequency Summary for all audit subjects.
- **Exhibit 5B** Statewide Frequency Summary for all randomly selected audit subjects.
- **Exhibit 5C** Statewide Frequency Summary for all non-randomly selected audit subjects.
- **Exhibit 5D** Statewide Frequency Summary for all insurers, regardless of method of selection.

- **Exhibit 5E** Statewide Frequency Summary for all randomly selected insurers.
- **Exhibit 5F** Statewide Frequency Summary for all non-randomly selected insurers.
- **Exhibit 5G** Statewide Frequency Summary for all self-insured employers, regardless of method of selection.
- **Exhibit 5H** Statewide Frequency Summary for all randomly selected self-insured employers.
- **Exhibit 5I** Statewide Frequency Summary for all non-randomly selected self-insured employers.
- **Exhibit 5J** Statewide Frequency Summary for all third-party administrators, regardless of method of selection.
- **Exhibit 5K** Statewide Frequency Summary for all randomly selected third-party administrators.
- **Exhibit 5L** Statewide Frequency Summary for all non-randomly selected third-party administrators.

Following the statewide **Exhibits 1A** through **5L** in the report are **Individual Exhibits 3, 4, and 5** for each audit subject.

Conclusion

In 1999, the Audit Unit conducted 30 audits and audited 5,743 claims, a reduction from the 34 audits and 6,493 claims audited in 1998. Even so, the totals for penalties assessed in 1999 (10,232 totaling \$1,532,540) were up substantially from the 7,774 penalties totaling \$1,069,285 assessed in 1998. Even though there was a 11.6% reduction in the number of files reviewed in 1999 from the previous year, the number of penalties assessed increased by 31.6%, and the dollar amount increased by 43.3%. The average amount per penalty assessment increased by 8.7%, from \$138 in 1998 to \$150 in 1999.

Analysis of 1999 audit numbers reveals two factors that contribute to the increase in penalty numbers over 1998: (1) the regulation changes affecting audit claim sample size; and, (2) the effectiveness of the Audit Unit's targeting of non-random audit subjects.

(1) Because of the two-tiered samples used for the random selection of indemnity files adopted into regulations in November 1998, the numbers of randomly selected indemnity files selected for audits are greater for those audit subjects who do not meet performance standards than for those who do. Accordingly, more indemnity files are reviewed for the poor performers than for the good performers, with consequent increases in penalties. While 11 of the 30 audits in 1999 warrant return, non-random audits based on 1999 audit results (36.7%), those 11 audits resulted in \$980,580 of the \$1, 532,540 in penalties assessed (64% of the total).

(2) Of the 11 audit subjects who warrant return, non-random audits based on 1999 audit results (see **Exhibit 1F**), four (36.4%) were targeted for 1999 audits on a non-random basis. Of the 19 audits that do not warrant return, non-random audits based on 1999 audit results (**Exhibits 1D** and **1E**), only two (10.5%) were selected for audit on a target basis.

Still a matter of concern is the high number of penalties assessed for late paid and unpaid indemnity in undisputed claims. In 1996, there were 2,739 penalties totaling \$365,645 assessed for late paid and unpaid indemnity in 4,577 audited indemnity and complaint files (that is, in audited files excluding medical-only and denied files). In 1997, the numbers were 2,508 penalty assessments totaling \$397,830 for late paid and unpaid indemnity in 3,197 audited indemnity and complaint files. In 1998, there were 2,589 audited indemnity and complaint files and 2,195 penalty assessments totaling \$404,065 for late paid and unpaid indemnity, including 41 penalties for \$55,460 for late payment of WCAB awards. In 1999, there were 2,816 penalties totaling \$593,970 assessed for late paid and unpaid indemnity, including 119 penalties for \$152,710 for late payment of WCAB awards, in 2,634 audited indemnity and complaint files. In spite of a 42.5% decrease in the number of audited indemnity and complaint files from 1996 to 1999, the number of penalties in this category increased by 2.8% over the three-year period.

In 1996, the Audit Unit issued 579 Notices of Compensation Due totaling \$473,961.34 in unpaid compensation. In 1997, 508 Notices of Compensation Due totaling \$455,401.53 were issued. In 1998, there were 423 Notices of Compensation Due totaling \$356,787.00. In 1999, the Audit Unit issued 495 Notices of Compensation Due totaling \$499,291.43 in unpaid compensation. While the number of audited indemnity files, including complaint files, decreased by over 42% over the three-year period, the percentage of audited indemnity and complaint files with unpaid compensation increased from 12.7% in 1996 to 18.8% in 1999. The average amount of unpaid compensation in files with unpaid compensation was \$818.59 in 1996, \$893.55 in 1997, and \$843.47 in 1998. In 1999, the average amount was \$1,008.67.

As stated under "Findings," 32.5% of the unpaid compensation found in audits in 1999 was in temporary disability indemnity, 42.6% was in permanent disability, 9.4% was in vocational rehabilitation maintenance allowance, 14.2% was in 10% self-imposed increases for late indemnity payments, and 1.4% was in interest and penalty on awards and unreimbursed medical expense. These breakdowns are comparable to those in earlier years. The main reasons for the relatively high percentage of unpaid permanent disability indemnity continue to be the failure of claims administrators to pay reasonable estimates of permanent disability before permanent disability ratings are received, and the failure to recognize that permanent disability benefits begin accruing immediately after the last period of temporary disability.

Another area of concern continues to be the high number of penalty assessments involving violations for the failure to issue benefit notices, the late issuance of benefit notices, and the issuance of materially inaccurate or incomplete benefit notices. Excluding specified vocational rehabilitation notice penalties (categories 12, 13, and 14 in **Exhibit 3**), 3,561 penalty citations totaling \$382,655 (34.8% of the total of 10,232 penalties assessed, and 25% of the total dollar amount of \$1,532,540) involved the provision of benefit notices.

A comparison of the statewide frequency for all audit subjects (**Exhibit 5A**) with the statewide frequency in prior years' annual reports shows that performance has declined in certain critical areas. For example, 15.78% of the randomly selected audited files with temporary disability payments in 1995 were assessed for late first payments of temporary disability. The percentage was 22.07% in 1996, 20.71% in 1997, and 28.83% in 1998. In 1999, the percentage increased to 30.27%.

Of the randomly selected audited files with permanent disability payments, 23.19% were assessed for late first payments of permanent disability in 1995. The percentage was 30.62% in 1996, 30.79% in 1997, and 25.62% in 1998. In 1999, the percentage was 26.98%.

Of the randomly selected audited files in which indemnity was accrued and payable, the percentage with assessments for unpaid indemnity was 15.68% in 1995, 17.18% in 1996, 19.39% in 1997, and 19.49% in 1998. In 1999, the percentage was 23.50%.

The high frequency of files with penalty assessments involving specific vocational rehabilitation obligations is also a concern. Of the audited files with dates of injury of 1/1/94 or after where the obligation was to issue a notice of vocational rehabilitation rights after 90 days of temporary disability rather than assign the QRR, the rate of violations continues to be high. In 1995, 45.33% of the files with exposure for possible violations were assessed penalties, in 1996 the rate was 45.13%, in 1997 the percentage was 43.57%, in 1998 it was 41.45%, and in 1999 it was 55.30%. Of the files where there was an obligation to issue a Notice of Potential Eligibility for vocational rehabilitation to the injured worker within 10 days of knowledge of a physician's opinion that the employee was medically eligible, 48.59% were assessed penalties for violations in 1995, 47.85% in 1996, 48.03% in 1997, 50.16% in 1998, and 48.00% in 1999.

One other area in which there are many penalty assessments and which showed an increase in relative frequency of files with assessments in 1997 is in the area of benefit notices. There were assessments for failure to issue routine benefit notices in 14.15% of the files in which there was a requirement to issue notices in 1995, 21.42% in 1996, 24.02% in 1997, 21.89% in 1998, and 30.60% in 1999. In addition, there were assessments for late routine benefit notices in 14.26% of the files in which benefit notices were issued in 1995, 21.91% in 1996, 23.31% in 1997, 25.41% in 1998, and 26.11% in 1999.

Amendments to audit regulations in November 1998, included changes to penalty frequency mitigation criteria to provide an incentive for improving claims handling performance in the prompt issuance of routine benefit notices. While poor performance in the issuance of notices results in an increased audit sample, good performance is rewarded with increased reductions of penalty amounts, and even the elimination of penalties for this category of violation if frequency is particularly low (10% or less). Whether these changes in regulations will produce the desired improvement in performance will be closely monitored.

While it is true that percentages of files with violations compared to the files with the possibility for violations in the various categories of benefit provision vary slightly from year to year, there does not appear to be any evidence that overall performance is improving. Some adjusting locations show low percentages of violations in some key areas and high percentages in others, but percentages in the individual areas do not seem to vary widely statewide from year to year, and many are becoming more frequent in the critical areas listed above.

A comparison of the frequency summaries for randomly selected audit subjects (**Exhibit 5B**) and for non-randomly selected audit subjects (**Exhibit 5C**) shows that frequency of assessments is generally higher for the targeted audit subjects than for the randomly selected audit subjects. Even so, frequency of violations in the randomly selected files of *only* the randomly selected audit subjects continues to reveal overall poor claims handling performance statewide. With the increased samples of randomly selected indemnity files for the audit subjects that do not meet the performance criteria for reduced samples, audits are now taking longer and involve more penalties for those poor performers, which in turn reduces the number of audits that the Audit Unit is able to conduct.

In the interest of helping claims administrators comply with statutes and regulations governing the provision of workers' compensation benefits, the Audit Unit has established a training program to assist claims administrators understanding of the audit process and how to improve future audit results. The workshops, provided to claims administrators on a voluntary basis, are provided free of charge on request at the administrators' adjusting locations. In 1999, the Audit Unit conducted 25 workshops for the claims industry, 15 in northern California and 10 in southern California.

The Division of Workers' Compensation will continue to work to ensure that injured workers receive their proper workers' compensation benefits.

Exhibit 1A**Calendar Year 1999****Penalty Assessments and Collections****Statewide Summary**

	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	# of Audits Appealed
	Indem- nity	Medical Only	Denied	Com- plaints	Add- tional						
No. California	707	565	403	35	21	1,571	\$244,015	\$0	\$244,015	\$0	0
So. California	1,630	1,250	891	191	50	8,661	\$1,288,525	\$0	\$1,173,080	\$115,445	1
Total	2,337	1,815	1,294	226	71	10,232	\$1,532,540	\$0	\$1,417,095	\$115,445	1

Calendar Year 1999

Penalty Assessments and Collections

Northern California

Audit Subject & Location	R/ N R	INS/ SI/ TPA	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- tional						Y	N
Calco Medical Management Corp. / San Mateo	R	TPA	124	66	52	2	5	343	\$48,415	\$0	\$48,415	\$0		x
CGU Insurance / Walnut Creek	R	INS	53	64	39	3	0	87	\$13,740	\$0	\$13,740	\$0		x
Gallagher Bassett Services / Sacramento	NR	TPA	131	66	61	16	3	355	\$56,040	\$0	\$56,040	\$0		x
Kemper Risk Management Services / Concord	R	TPA	56	59	53	6	3	98	\$17,880	\$0	\$17,880	\$0		x
Port of Oakland / Oakland	R	SI	38	35	17	0	1	36	\$4,535	\$0	\$4,535	\$0		x
Presidium, Inc. / San Francisco	R	TPA	129	64	56	4	2	190	\$35,935	\$0	\$35,935	\$0		x
Royal & SunAlliance / Walnut Creek	R	INS	55	65	43	3	4	128	\$24,025	\$0	\$24,025	\$0		x
Sandia National Laboratories / Livermore	R	SI	21	30	4	0	0	87	\$8,870	\$0	\$8,870	\$0		x
State Compensation Insurance Fund / Eureka	R	TPA	54	63	57	1	0	66	\$7,960	\$0	\$7,960	\$0		x
Weyerhaeuser Company / Portland, Oregon	R	SI	46	53	21	0	3	181	\$26,615	\$0	\$26,615	\$0		x
Total	10	10	707	565	403	35	21	1,571	\$244,015	\$0	\$244,015	\$0	0	10

R - Random 9
NR - Non-Random 1
Total 10

INS - Insurance 2
SI - Self-Insured 3
TPA - Third Party Administrator 5
Total 10

Exhibit 1C

Calendar Year 1999

Southern California

Penalty Assessments and Collections

Audit Subject & Location	R/ NR	INS/ SI/ TPA	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
American Financial Group / Orange	R	INS	90	63	30	1	9	438	\$78,940	\$0	\$78,940	\$0		x
Calco Medical Management Corp. / Orange	R	TPA	128	66	49	9	0	450	\$66,530	\$0	\$66,530	\$0		x
California Indemnity Insurance Co. / Las Vegas, NV	R	INS	122	61	47	2	0	820	\$118,505	\$0	\$118,505	\$0		x
City on Ontario / Ontario	R	SI	40	55	24	0	0	51	\$4,860	\$0	\$4,860	\$0		x
CNA Commercial Insurance / Glendale	R	INS	133	62	58	9	14	824	\$115,445	\$0	\$0	\$115,445	x	
FIRM Solutions / Irvine	R	TPA	59	66	64	11	1	327	\$46,405	\$0	\$46,405	\$0		x
Fontana Unified School District / Fontana	R	SI	57	56	20	0	0	201	\$27,625	\$0	\$27,625	\$0		x
Gulf Insurance Group / Irving, TX	R	INS	57	56	14	0	1	175	\$38,990	\$0	\$38,990	\$0		x
Integrated HealthCARE Delivery Services /Upland	NR	TPA	129	66	39	26	1	1625	\$209,025	\$0	\$209,025	\$0		x
National Amer. Ins Co of CA / Rancho Dominguez	R	INS	112	63	50	10	0	390	\$57,035	\$0	\$57,035	\$0		x
Republic American Insurance Group / San Diego	R	INS	57	66	60	3	0	141	\$12,165	\$0	\$12,165	\$0		x
RSKCo / West Covina	NR	TPA	57	66	52	13	4	415	\$59,960	\$0	\$59,960	\$0		x
Springfield Insurance Co. / Covina	R	INS	56	64	48	1	8	160	\$28,425	\$0	\$28,425	\$0		x
State Compensation Insurance Fund / Cerritos	NR	INS	132	66	60	21	8	559	\$89,975	\$0	\$89,975	\$0		x
Superior National - Cal Comp / Woodland Hills	NR	INS	59	66	63	18	0	153	\$38,060	\$0	\$38,060	\$0		x
Superior Pacific Insurance Group / Woodland Hills	NR	INS	135	66	62	62	4	1420	\$244,795	\$0	\$244,795	\$0		x
Tri Star Claims Management / San Diego	R	TPA	57	65	43	0	0	134	\$12,385	\$0	\$12,385	\$0		x
Ward North America, Inc. / San Diego	R	TPA	38	49	8	0	0	115	\$15,230	\$0	\$15,230	\$0		x
Wear & Wood, Inc. / San Diego	R	TPA	57	65	54	4	0	228	\$22,265	\$0	\$22,265	\$0		x
Workers' Comp. Administrators / Santa Maria	R	TPA	55	63	46	1	0	35	\$1,905	\$0	\$1,905	\$0		
Total	20	20	1,630	1,250	891	191	50	8,661	\$1,288,525	\$0	\$1,173,080	\$115,445	1	19

R - Random 15
NR - Non-Random 5
Total 20

Ins - Insurance 10
SI - Self-Insured 8
TPA - Third Party Administrator 2
Total 20

Calendar Year 1999

**Audit Subjects which Merited Removal from the
Random Selection Pool for Three Years Based on Audit Results**

Audit Subject & Location	R/ NR	INS/ SI/ TPA	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
CGU Insurance / Walnut Creek	R	INS	53	64	39	3	0	87	\$13,740	\$0	\$13,740	\$0		x
City of Ontario / Ontario	R	SI	40	55	24	0	0	51	\$4,860	\$0	\$4,860	\$0		x
FIRM Solutions / Irvine	R	TPA	59	66	64	11	1	327	\$46,405	\$0	\$46,405	\$0		x
Port of Oakland / Oakland	R	SI	38	35	17	0	1	36	\$4,535	\$0	\$4,535	\$0		x
Republic American Insurance Group / San Diego	R	INS	57	66	60	3	0	141	\$12,165	\$0	\$12,165	\$0		x
Royal & Sun Alliance / Walnut Creek	R	INS	55	65	43	3	4	128	\$24,025	\$0	\$24,025	\$0		x
RSKCo / West Covina	NR	TPA	57	66	52	13	4	415	\$59,960	\$0	\$59,960	\$0		x
Springfield Insurance Co. / Covina	R	INS	56	64	48	1	8	160	\$28,425	\$0	\$28,425	\$0		x
State Compensation Insurance Fund / Eureka	R	TPA	54	63	57	1	0	66	\$7,960	\$0	\$7,960	\$0		x
Superior National - Cal Comp / Woodland Hills	NR	INS	59	66	63	18	0	153	\$38,060	\$0	\$38,060	\$0		x
Tri Star Claims Management / San Diego	R	TPA	57	65	43	0	0	134	\$12,385	\$0	\$12,385	\$0		x
Wear & Wood, Inc. / San Diego	R	TPA	57	65	54	4	0	228	\$22,265	\$0	\$22,265	\$0		x
Workers' Comp. Administrators / Santa Maria	R	TPA	55	63	46	1	0	35	\$1,905	\$0	\$1,905	\$0		x
Total	13	13	697	803	610	58	18	1,961	\$276,690	\$0	\$276,690	\$0	0	13

Exhibit 1E

Calendar Year 1999

**Audit Subjects which did not Merit Return, Non-Random Audits based on
Audit Results, but did not Perform well enough for Removal from the Random Selection Pool for Three Years**

Audit Subject & Location	R/ NR	INS/ SI/ TPA	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
Calco Medical Management Corp. / San Mateo	R	TPA	124	66	52	2	5	343	\$48,415	\$0	\$48,415	\$0		x
CNA Commercial Insurance / Glendale	R	INS	133	62	58	9	14	824	\$115,445	\$0	\$0	\$115,445	x	
Fontana Unified School District / Fontana	R	SI	57	56	20	0	0	201	\$27,625	\$0	\$27,625	\$0		x
Kemper Risk Management Services / Concord	R	TPA	56	59	53	6	3	98	\$17,880	\$0	\$17,880	\$0		x
National Amer. Ins Co of CA/Rancho Dominguez	R	INS	112	63	50	10	0	390	\$57,035	\$0	\$57,035	\$0		x
Sandia National Laboratories / Livermore	R	SI	21	30	4	0	0	87	\$8,870	\$0	\$8,870	\$0		x
Total	6	6	503	336	237	27	22	1,943	\$275,270	\$0	\$159,825	\$115,445	1	5

Calendar Year 1999

Audit Subjects which Merited Return, Non-Random Audits based on Audit Results

Penalty Assessments and Collections

Audit Subject & Location	R/ NR	INS/ SI/ TPA	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
			Indem- nity	Medical Only	Denied	Com- plaints	Add- itional						Y	N
American Financial Group / Orange*	R	INS	90	63	30	1	9	438	\$78,940	\$0	\$78,940	\$0		x
Calco Medical Management Corp. / Orange	R	TPA	128	66	49	9	0	450	\$66,530	\$0	\$66,530	\$0		x
California Indemnity Insurance Co. / Las Vegas, NV	R	INS	122	61	47	2	0	820	\$118,505	\$0	\$118,505	\$0		x
Gallagher Bassett Services / Sacramento	NR	TPA	131	66	61	16	3	355	\$56,040	\$0	\$56,040	\$0		x
Gulf Insurance Group / Irving, TX	R	INS	57	56	14	0	1	175	\$38,990	\$0	\$38,990	\$0		x
Integrated HealthCARE Delivery Services /Upland	NR	TPA	129	66	39	26	1	1625	\$209,025	\$0	\$209,025	\$0		x
Presidium, Inc. / San Francisco	R	TPA	129	64	56	4	2	190	\$35,935	\$0	\$35,935	\$0		x
State Compensation Insurance Fund / Cerritos	NR	INS	132	66	60	21	8	559	\$89,975	\$0	\$89,975	\$0		x
Superior Pacific Insurance Group / Woodland Hills	NR	INS	135	66	62	62	4	1420	\$244,795	\$0	\$244,795	\$0		x
Ward North America, Inc. / San Diego	R	TPA	38	49	8	0	0	115	\$15,230	\$0	\$15,230	\$0		x
Weyerhaeuser Company / Portland, OR	R	SI	46	53	21	0	3	181	\$26,615	\$0	\$26,615	\$0		x
Total	11	11	1,137	676	447	141	31	6,328	\$980,580	\$0	\$980,580	\$0	0	11

All of the above audits merited a return, non-random audit of indemnity files.

* This audit subject merited a return, non-random audit of denied files as well as indemnity files.

Exhibit 2A

Calendar Year 1999

Penalty Assessments and Collections

Audit Subjects by Methods of Selection

Type of Random Audit Subject	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Insurer	9	735	564	389	32	36	3,163	\$487,270	\$0	\$371,825	\$115,445	1	8
Self-insured Employer	5	202	229	86	0	4	556	\$72,505	\$0	\$72,505	\$0	0	5
Third-party Administrator	11	888	692	543	54	14	2,341	\$330,950	\$0	\$330,950	\$0	0	11
Total Random	25	1,825	1,485	1,018	86	54	6,060	\$890,725	\$0	\$775,280	\$115,445	1	24

Type of Non-random Audit Subject	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Insurer	3	326	198	185	101	12	2,132	\$372,830	\$0	\$372,830	\$0	0	3
Self-insured Employer	0	0	0	0	0	0	0	\$0	\$0	\$0	\$0	0	0
Third-party Administrator	2	186	132	91	39	5	2,040	\$268,985	\$0	\$268,985	\$0	0	2
Total Non-random	5	512	330	276	140	17	4,172	\$641,815	\$0	\$641,815	\$0	0	5

Type of Audit	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Total Random	25	1,825	1,485	1,018	86	54	6,060	\$890,725	\$0	\$775,280	\$115,445	1	24
Total Non-random	5	512	330	276	140	17	4,172	\$641,815	\$0	\$641,815	\$0	0	5
Totals	30	2,337	1,815	1,294	226	71	10,232	\$1,532,540	\$0	\$1,417,095	\$115,445	1	29

Calendar Year 1999

Penalty Assessments and Collections

Audit Subjects by Type of Claims Administrator

Insurer	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Random	9	735	564	389	32	36	3,163	\$487,270	\$0	\$371,825	\$115,445	1	8
Non-random	3	326	198	185	101	12	2,132	\$372,830	\$0	\$372,830	\$0	0	3
Total Insurer	12	1061	762	574	133	48	5,295	\$860,100	\$0	\$744,655	\$115,445	1	11

Self-insured Employer	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Random	5	202	229	86	0	4	556	\$72,505	\$0	\$72,505	\$0	0	5
Non-random	0	0	0	0	0	0	0	\$0	\$0	\$0	\$0	0	0
Total Self-insured	5	202	229	86	0	4	556	\$72,505	\$0	\$72,505	\$0	0	5

Third-party Administrator	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Random	11	888	692	543	54	14	2,341	\$330,950	\$0	\$330,950	\$0	0	11
Non-random	2	186	132	91	39	5	2,040	\$268,985	\$0	\$268,985	\$0	0	2
Total Third-party	13	1,074	824	634	93	19	4,381	\$599,935	\$0	\$599,935	\$0	0	13

Claims Administrator	# of Audits	No. of Files Audited					# of Times Cited	Total \$ Penalties Assessed	Reductions as a Result of Appeal	Total \$ Amount Collected	Balance \$ Due	Audits Appealed	
		Indem-nity	Medical Only	Denied	Com-plaints	Add-itional						Y	N
Insurer	12	1,061	762	574	133	48	5,295	\$860,100	\$0	\$744,655	\$115,445	1	11
Self-insured Employer	5	202	229	86	0	4	556	\$72,505	\$0	\$72,505	\$0	0	5
Third-party Administrator	13	1,074	824	634	93	19	4,381	\$599,935	\$0	\$599,935	\$0	0	13
Totals	30	2,337	1,815	1,294	226	71	10,232	\$1,532,540	\$0	\$1,417,095	\$115,445	1	29

KEY TO EXHIBIT 3B

ADMINISTRATIVE PENALTY ASSESSMENTS

SCHEDULE OF PENALTIES - 1999

Item	Nature of Violations by Category with Maximum Amounts of Penalties
1	For late first payment of temporary disability indemnity: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
2	For late first payment of permanent disability indemnity: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
3	For late first payment of VRMA: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
4	For any late subsequent temporary or permanent disability indemnity or VRMA payments, including failure to pay any indemnity then due when paid with a later payment: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity. Penalties for any late payments of self-imposed increases for any late indemnity payments: up to \$25, unless the late payment is more than 30 days late, in which case the penalty may be up to \$100, depending on the amount of unpaid indemnity.
5	For late first payment and any subsequent payments of death benefits: up to \$100, unless the late payment is more than 30 days late, in which case the penalty may be up to \$1,000, depending on the amount of late paid indemnity.
6	For failure to issue benefit notices, other than specified vocational rehabilitation notices for all dates of injury, notices of the procedure to evaluate PD, and denial notices for injuries occurring before 1/1/94: up to \$100.
7	For late provision of benefit notices, other than specified vocational rehabilitation notices for all dates of injury, notices of the procedure to evaluate PD, and denial notices for injuries occurring before 1/1/94: up to \$75, unless the late notice is more than 30 days late, in which case the penalty may be up to \$100.
8	Involving the failure to pay or object to medical expenses within 60 days of receipt of billing: up to \$100.
9	Involving the failure to pay or object to medical-legal expenses within 60 days of receipt of billing: up to \$100.
10	For failure to pay or object to vocational rehabilitation expenses within 60 days of receipt of billing: up to \$100.
11	For injuries before 1/1/94, penalties for failure to assign a qualified rehabilitation representative within 10 days after 90 days of aggregate total disability: up to \$500.
12	For injuries on or after 1/1/94, penalties for failure to provide vocational rehabilitation information to the injured employee as required by Labor Section 4636(a) within 10 days after 90 days of aggregate total disability: up to \$500.
13	For failure to notify the injured employee in a timely manner of potential eligibility for vocational rehabilitation: up to \$500.
14	For failure to notify the injured employee in a timely manner of non-eligibility for vocational rehabilitation: up to \$500.
15	Involving notices of the procedure to evaluate PD for injuries occurring on or after 1/1/94: up to \$500.
16	Involving notices denying all liability or death benefits for injuries occurring on or after 1/1/94: up to \$500.
17	For failure to timely respond to a request to provide or authorize medical treatment: up to \$100.
18 a	For failure to pay any temporary disability indemnity or salary continuation in lieu of temporary disability indemnity not included in an award or order: up to \$1,000.
18 b	For failure to pay any permanent disability indemnity not included in an award or order: up to \$1,000.
18 c	For failure to pay any voc. rehabilitation maintenance allowance not included in an award or order: up to \$1,000.
18 d	For failure to pay any self-imposed increase for late indemnity payments: up to \$100.
18 e	For failure to pay any indemnity as ordered by WCAB Order or Award or Rehabilitation Unit Order: up to \$5,000.
18 f	For any other unpaid indemnity, including but not limited to the following: up to \$500 for the failure to pay any interest on a WCAB Order or Award and up to \$1,000 for the failure to pay any death benefits.
19	For failure to include items or properly designate entries on a claim log: up to \$100.
20 a	For materially incomplete or inaccurate benefit notices, other than specified vocational rehabilitation notices, for all dates of injury: up to \$25. Penalties for materially incomplete or inaccurate notices of denial of all liability for injuries occurring on or after 1/1/94: up to \$500.
20 b	For failure to investigate: up to \$1,000.
20 c	For late payment of WCAB Orders or Awards or Rehabilitation Unit Orders: up to \$1,000.
20 d	Other penalties, including failure to comply with Decisions or Orders of the WCAB or Rehab. Unit not involving the payment of indemnity: from \$25 to \$5,000, depending on the nature of the violation.
21	Unsupported denial of liability for a claim: up to \$5,000.

Exhibit 3B**Calendar Year 1999****Frequency of Penalties Cited By Type of Penalty****Statewide Summary**

Item No.	Number of Times Cited	Total \$ Penalties Assessed
1	561	\$63,770
2	172	\$48,920
3	41	\$10,775
4	1,051	\$114,700
5	0	\$0
6	1,501	\$143,060
7	981	\$57,570
8	2,194	\$167,440
9	341	\$28,510
10	86	\$6,485
11	11	\$4,500
12	296	\$123,060
13	239	\$92,340
14	52	\$18,820
15	368	\$153,340
16	24	\$7,180
17	6	\$520
18a	274	\$83,580
18b	69	\$39,790
18c	30	\$16,610
18d	433	\$35,755
18e	31	\$18,480
18f	35	\$8,880
19	150	\$9,745
20a	687	\$21,505
20b	28	\$14,950
20c	119	\$152,710
20d	443	\$63,045
21	9	\$26,500
Totals	10,232	\$1,532,540

Exhibit 4**Calendar Year 1999****Notices of Compensation Due****Statewide Summary**

	Temporary Disability	Permanant Disability	VRMA	Self- imposed Increase	Death Benefits	Penalty interest, or other	Total
North	\$15,161.54	\$60,988.42	\$7,908.96	\$16,860.68	\$0.00	\$820.45	\$101,740.05
South	\$146,934.57	\$151,585.78	\$38,845.97	\$54,035.17	\$0.00	\$6,149.89	\$397,551.38
Totals:	\$162,096.11	\$212,574.20	\$46,754.93	\$70,895.85	\$0.00	\$6,970.34	\$499,291.43

Exhibit 5A**Calendar Year 1999****Frequency of Assessments
In Randomly Selected Audited Files****Statewide Summary For All Audit Subjects**

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	1,424	431	30.27%
2	LATE FIRST PAY OF PD	504	136	26.98%
3	LATE FIRST PAY OF VRMA	176	26	14.77%
4	LATE SUBSEQ INDEM. PAY	1,076	355	32.99%
5	LATE PAY OF DEATH BENEFITS	7	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	2,415	739	30.60%
7	LATE BEN. NOTICES (INDEM.,DELAY)	2,386	623	26.11%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	1,283	239	18.63%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	813	103	12.67%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	239	18	7.53%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	2	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	443	245	55.30%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	325	156	48.00%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	133	36	27.07%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	1,358	334	24.59%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	1,294	22	1.70%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A.	4	N.A.
18	UNPAID INDEMNITY	1,834	431	23.50%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	114,283	124	0.11%
20	OTHER ASSESSMENTS	5,432	671	12.35%
21	UNSUPPORTED DENIALS	1,257	7	0.56%

Exhibit 5B**Calendar Year 1999**

**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary For All Randomly Selected Audit Subjects

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	1,016	286	28.15%
2	LATE FIRST PAY OF PD	373	108	28.95%
3	LATE FIRST PAY OF VRMA	124	17	13.71%
4	LATE SUBSEQ INDEM. PAY	794	248	31.23%
5	LATE PAY OF DEATH BENEFITS	4	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	1,743	532	30.52%
7	LATE BEN. NOTICES (INDEM.,DELAY)	1,720	424	24.65%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	992	169	17.04%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	598	70	11.71%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	178	13	7.30%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	1	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	314	181	57.64%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	226	114	50.44%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	98	33	33.67%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	1,035	258	24.93%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	968	19	1.96%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	4	N.A.
18	UNPAID INDEMNITY	1,371	306	22.32%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	66,161	97	0.15%
20	OTHER ASSESSMENTS	4,073	504	12.37%
21	UNSUPPORTED DENIALS	915	5	0.55%

Exhibit 5C**Calendar Year 1999**

**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary For All Non-randomly Selected Audit Subjects

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	408	145	35.54%
2	LATE FIRST PAY OF PD	131	28	21.37%
3	LATE FIRST PAY OF VRMA	52	9	17.31%
4	LATE SUBSEQ INDEM. PAY	282	107	37.94%
5	LATE PAY OF DEATH BENEFITS	3	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	672	207	30.80%
7	LATE BEN. NOTICES (INDEM.,DELAY)	666	199	29.88%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	291	70	24.05%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	215	33	15.35%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	61	5	8.20%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	1	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	129	64	49.61%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	99	42	42.42%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	35	3	8.57%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	323	76	23.53%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	326	3	0.92%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	463	125	27.00%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	48,122	27	0.06%
20	OTHER ASSESSMENTS	1,359	167	12.29%
21	UNSUPPORTED DENIALS	342	2	0.58%

Exhibit 5 D**Calendar Year 1999****Frequency of Assessments
In Randomly Selected Audited Files****Statewide Summary For All Insurers, Regardless of Method of Selection**

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	752	226	30.05%
2	LATE FIRST PAY OF PD	228	62	27.19%
3	LATE FIRST PAY OF VRMA	111	17	15.32%
4	LATE SUBSEQ INDEM. PAY	529	186	35.16%
5	LATE PAY OF DEATH BENEFITS	3	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	1,158	409	35.32%
7	LATE BEN. NOTICES (INDEM.,DELAY)	1,140	299	26.23%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	512	96	18.75%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	333	32	9.61%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	132	12	9.09%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	1	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	234	125	53.42%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	181	89	49.17%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	76	23	30.26%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	671	180	26.83%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	558	16	2.87%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	2	N.A.
18	UNPAID INDEMNITY	890	206	23.15%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	51,895	73	0.14%
20	OTHER ASSESSMENTS	2,379	341	14.33%
21	UNSUPPORTED DENIALS	532	5	0.94%

Exhibit 5E**Calendar Year 1999**

**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary All Randomly Selected Insurers

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	540	170	31.48%
2	LATE FIRST PAY OF PD	157	48	30.57%
3	LATE FIRST PAY OF VRMA	78	11	14.10%
4	LATE SUBSEQ INDEM. PAY	379	136	35.88%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	770	290	37.66%
7	LATE BEN. NOTICES (INDEM.,DELAY)	756	195	25.79%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	368	77	20.92%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	202	25	12.38%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	95	11	11.58%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	164	109	66.46%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	120	68	56.67%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	49	21	42.86%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	490	139	28.37%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	389	14	3.60%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	646	153	23.68%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	23,485	64	0.27%
20	OTHER ASSESSMENTS	1,691	259	15.32%
21	UNSUPPORTED DENIALS	347	4	1.15%

Exhibit 5F**Calendar Year 1999**

**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary For All Non-randomly Selected Insurers

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	212	56	26.42%
2	LATE FIRST PAY OF PD	71	14	19.72%
3	LATE FIRST PAY OF VRMA	33	6	18.18%
4	LATE SUBSEQ INDEM. PAY	150	50	33.33%
5	LATE PAY OF DEATH BENEFITS	3	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	388	119	30.67%
7	LATE BEN. NOTICES (INDEM.,DELAY)	384	104	27.08%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	144	19	13.19%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	131	7	5.34%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	37	1	2.70%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	1	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	70	16	22.86%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	61	21	34.43%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	27	2	7.41%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	181	41	22.65%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	169	2	1.18%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	244	53	21.72%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	28,410	9	0.03%
20	OTHER ASSESSMENTS	688	82	11.92%
21	UNSUPPORTED DENIALS	185	1	0.54%

Exhibit 5G**Calendar Year 1999**

**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary All Self-insured Employers, Regardless of Method of Selection

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	80	10	12.50%
2	LATE FIRST PAY OF PD	57	17	29.82%
3	LATE FIRST PAY OF VRMA	5	0	0.00%
4	LATE SUBSEQ INDEM. PAY	95	31	32.63%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	200	69	34.50%
7	LATE BEN. NOTICES (INDEM.,DELAY)	196	49	25.00%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	105	12	11.43%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	89	8	8.99%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	14	1	7.14%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	33	20	60.61%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	15	6	40.00%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	7	5	71.43%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	130	29	22.31%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	84	1	1.19%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A.	1	N.A.
18	UNPAID INDEMNITY	168	42	25.00%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	1,573	5	0.32%
20	OTHER ASSESSMENTS	517	60	11.61%
21	UNSUPPORTED DENIALS	86	0	0.00%

Exhibit 5H**Calendar Year 1999**

**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary For All Randomly Selected Self-insured Employers

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	80	10	12.50%
2	LATE FIRST PAY OF PD	57	17	29.82%
3	LATE FIRST PAY OF VRMA	5	0	0.00%
4	LATE SUBSEQ INDEM. PAY	95	31	32.63%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	200	69	34.50%
7	LATE BEN. NOTICES (INDEM.,DELAY)	196	49	25.00%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	105	12	11.43%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	89	8	8.99%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	14	1	7.14%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	33	20	60.61%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	15	6	40.00%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	7	5	71.43%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	130	29	22.31%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	84	1	1.19%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	1	N.A.
18	UNPAID INDEMNITY	168	42	25.00%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	1,573	5	0.32%
20	OTHER ASSESSMENTS	517	60	11.61%
21	UNSUPPORTED DENIALS	86	0	0.00%

Exhibit 5I**Calendar Year 1999**

**Frequency of Assessments
In Randomly Selected Audited Files**

Statewide Summary For All Non-randomly Selected Self-insured Employers

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	0	0	0.00%
2	LATE FIRST PAY OF PD	0	0	0.00%
3	LATE FIRST PAY OF VRMA	0	0	0.00%
4	LATE SUBSEQ INDEM. PAY	0	0	0.00%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	0	0	0.00%
7	LATE BEN. NOTICES (INDEM.,DELAY)	0	0	0.00%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	0	0	0.00%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	0	0	0.00%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	0	0	0.00%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	0	0	0.00%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	0	0	0.00%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	0	0	0.00%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	0	0	0.00%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	0	0	0.00%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A.	0	N.A.
18	UNPAID INDEMNITY	0	0	0.00%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	0	0	0.00%
20	OTHER ASSESSMENTS	0	0	0.00%
21	UNSUPPORTED DENIALS	0	0	0.00%

Exhibit 5J**Calendar Year 1999**

**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary For All Third-party Administrators,
Regardless of Method of Selection**

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	592	195	32.94%
2	LATE FIRST PAY OF PD	219	57	26.03%
3	LATE FIRST PAY OF VRMA	60	9	15.00%
4	LATE SUBSEQ INDEM. PAY	452	138	30.53%
5	LATE PAY OF DEATH BENEFITS	4	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	1,057	261	24.69%
7	LATE BEN. NOTICES (INDEM.,DELAY)	1,050	275	26.19%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	666	131	19.67%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	391	63	16.11%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	93	5	5.38%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	1	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	176	100	56.82%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	129	61	47.29%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	50	8	16.00%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	557	125	22.44%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	652	5	0.77%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	1	N.A.
18	UNPAID INDEMNITY	776	183	23.58%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	60,815	46	0.08%
20	OTHER ASSESSMENTS	2,536	270	10.65%
21	UNSUPPORTED DENIALS	639	2	0.31%

Exhibit 5K**Calendar Year 1999****Frequency of Assessments
In Randomly Selected Audited Files****Statewide Summary For All Randomly Selected Third-party Administrators**

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	396	106	26.77%
2	LATE FIRST PAY OF PD	159	43	27.04%
3	LATE FIRST PAY OF VRMA	41	6	14.63%
4	LATE SUBSEQ INDEM. PAY	320	81	25.31%
5	LATE PAY OF DEATH BENEFITS	4	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	773	173	22.38%
7	LATE BEN. NOTICES (INDEM.,DELAY)	768	180	23.44%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	519	80	15.41%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	307	37	12.05%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	69	1	1.45%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	1	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	117	52	44.44%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	91	40	43.96%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	42	7	16.67%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	415	90	21.69%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	495	4	0.81%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	1	N.A.
18	UNPAID INDEMNITY	557	111	19.93%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	41,103	28	0.07%
20	OTHER ASSESSMENTS	1,865	185	9.92%
21	UNSUPPORTED DENIALS	482	1	0.21%

Exhibit 5L**Calendar Year 1999**

**Frequency of Assessments
In Randomly Selected Audited Files**

**Statewide Summary For All Non-Randomly Selected
Third-party Administrators**

ITEM NO.	VIOLATIONS RELATED TO:	# OF AUDITED FILES WITH EXPOSURE FOR ASSESSMENTS	# OF AUDITED FILES WITH ASSESSMENTS	% OF FILES WITH ASSESSMENTS
1	LATE FIRST PAY OF TD	196	89	45.41%
2	LATE FIRST PAY OF PD	60	14	23.33%
3	LATE FIRST PAY OF VRMA	19	3	15.79%
4	LATE SUBSEQ INDEM. PAY	132	57	43.18%
5	LATE PAY OF DEATH BENEFITS	0	0	0.00%
6	FAIL TO ISSUE BEN. NOTICES (INDEM.,DELAY)	284	88	30.99%
7	LATE BEN. NOTICES (INDEM.,DELAY)	282	95	33.69%
8	FAIL TO PAY OR OBJECT TO MED. EXPENSES W/IN 60 DAYS	147	51	34.69%
9	FAIL TO PAY OR OBJECT TO M/L EXPENSES W/IN 60 DAYS	84	26	30.95%
10	FAIL TO PAY OR OBJECT TO VR EXPENSES W/IN 60 DAYS	24	4	16.67%
11	FAIL TO ASSIGN QRR AFTER 90 DAYS OF TD	0	0	0.00%
12	FAIL TO ISSUE NOTICE OF VR RIGHTS AFTER 90 DAYS OF TD	59	48	81.36%
13	FAIL TO NOTIFY EMPLOYEE OF MED ELIG. FOR VR AS REQ.	38	21	55.26%
14	FAIL TO NOTIFY EMPLOYEE OF NON-ELIG. FOR VR AS REQ.	8	1	12.50%
15	FAIL TO NOTIFY EMPLOYEE OF PROCEDURE TO EVAL. PD	142	35	24.65%
16	FAIL TO ISSUE DENIAL NOTICE AS REQ.	157	1	0.64%
17	FAIL TO RESPOND TIMELY TO MED. TRTMNT REQUEST	N.A	0	N.A.
18	UNPAID INDEMNITY	219	72	32.88%
19	CLAIM LOG VIOL. (# OF ENTRIES AND VIOL.)	19,712	18	0.09%
20	OTHER ASSESSMENTS	671	85	12.67%
21	UNSUPPORTED DENIALS	157	1	0.64%